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I. CHINA/TAIWAN: REACTING TO THE INDEPENDENCE MOVEMENT (11/16)

Despite its recent rhetorical broadside against the Taiwan independence movement, the PRC continues to court Taiwan peacefully and to cooperate on certain cross-strait issues. Beijing will monitor Taiwan's political evolution carefully but the absence of tension in the straits and commitment to peaceful interchange indicate it will continue unchanged its basic approach of emphasizing inducements and limiting intimidation.

In its latest blast on Taiwan independence, China gave no indication it considered withdrawing the olive branch it has extended to Taiwan. Indeed, Beijing last month restarted stalled cooperation with Taiwan's unofficial Strait Exchange Foundation (SEF), agreeing to accept repatriated illegal entrants and to hold talks on combatting smuggling and piracy in the straits. Though Taiwan's insistence on including the word "reciprocity" proved a stumbling block to signing a communique, both sides agreed that the visit was productive, to cooperate on fighting crime, and to meet again more formally early next year. Beijing significantly liberalized its dealings with SEF recently when it decided to set up its own counterpart organization.

A two track approach. The PRC's simultaneous enticement and intimidation of Taiwan is in line with its long-standing carrot and stick approach. The PRC refuses to renounce the use of force, which it believes is its only lever preventing Taiwan from going the route of independence.

The PRC's "stick" also includes isolating Taiwan internationally, but over the past year, Beijing increasingly has had to give ground to Taipei on issues such as entry to international organizations, arms purchases, and aviation agreements.

The PRC continues to emphasize the main thread of its policy--tying Taiwan ever closer to the mainland through exchanges and economic links. Beijing hopes people on Taiwan

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will see their stake in China and seek unification. While aware this is a long and arduous process, the PRC considers the growth of cross-strait ties to show the basic trend is in its favor. Beijing probably has been reassured by multiple messages from the Kuomintang that it remains staunchly anti-independence and pro-reunification.

Constraints on policy of intimidation. Despite the momentary heat of its rhetoric, Beijing's reaction to developments in Taiwan probably will be restrained, owing to several constraints. Heavy-handed intimidation could easily undercut the main goal of peaceful enticement by giving rise to hostility and instability, an arms buildup, and Taiwan's seeking outside--US--help. An escalating conflict could also undercut Beijing's aim of creating a peaceful international environment to pursue its all-important goal, economic development. Beijing has responded to its perceived weak and beleaguered world position by adopting a low-profile, cautious approach and by not directly confronting the United States. Deliberately provoking Taiwan in the straits would be highly risky.

New Taiwan independence initiatives will surely be greeted by PRC verbal blasts and Beijing could conceivably use a non-threatening exercise to send Taiwan a signal, as it did in March 1990, but direct military provocation is most unlikely. (SECRET/NOFORN/NOCONTRACT/ORCON/EXDIS) (MFinegan)

## II. TAIWAN: BIRTH PANGS OF DEMOCRACY (11/15)

The ruling Kuomintang (KMT) and opposition Democratic Progressive Party (DPP) have backed away from confrontation over the DPP's adoption of an independence plank, neither party wanting to jeopardize its December election chances by appearing unreasonable. Divisions within the KMT are also being papered over and even Beijing's huffing and puffing has fallen off, as it places its bets on working with the KMT.

The DPP's recent adoption of a party charter amendment advocating Taiwan independence--in defiance of sedition and other laws--unleashed pent-up hostility between DPP radicals and KMT conservatives. The two parties appeared headed for a showdown, but moderates prevailed and both sides sought to defuse the situation. The KMT's leading mainlander conservative, Premier Hau Pei-tsun, met with DPP legislators on November 3, further dispelling tensions. Both parties are competing to present a "most reasonable" image to the electorate, and the KMT will almost certainly defer invoking legal sanctions against the DPP until after the elections.

KMT tensions. The DPP independence challenge stoked long-standing divisions at the highest level in the KMT. While Hau led conservatives in insisting the DPP should be disbanded and its leaders arrested for sedition, Taiwan-born President Lee Teng-hui and the moderates resisted what they believed to be a dangerous overreaction. Lee and Hau compromised by agreeing to

arrest or deport radical independence activists outside the DPP, and to begin legal investigations of the DPP. The impetuous Hau has recently become much more conciliatory, apparently convinced by Lee that too hard a line would be dangerously destabilizing.

Lee against Hau. The moderate-conservative dispute underscores the sensitivity of democratic change in Taiwan. Conservative mainlanders committed to reunification and moderate Taiwanese determined to protect Taiwanese interests remain deeply suspicious of each other. [REDACTED]

[REDACTED] Moderates point to mainlander dealings with Beijing as a plot to sell out Taiwan to the PRC in the name of reunification.

Despite obvious differences and reports of threats by Hau to resign and of Lee's intention to fire Hau, each has reason to stick with the other, at least through December elections. Lee needs Hau to keep conservatives on board during the elections, to impress the mainland, and to check independence forces. Hau needs his position to ensure a strong voice for conservatives in the government.

The political future. The DPP's fortunes in December will be a test of independence sentiment. Because the majority favors stability and believes independence risky, the DPP is unlikely to pick up much support beyond the expected 70-30 KMT-DPP split. After December elections and the year-end retirement of all mainland-elected members of the legislative yuan, Taiwan politics will take on a distinctly more Taiwanese cast. Conservatives like Hau may then be seen as relics of the past and become expendable with moderates pressing for a change of premier. But there will be no sudden changes in the KMT's pro-unification stance, for the moderates--like the conservatives--have a healthy respect for Beijing's power. (SECRET//NOFORN//NOCONTRACT//ORCON//EXDIS) (MFinegan)

### III. PRC/DPRK/US: BEIJING'S PRESCRIPTION FOR THE NUCLEAR PROBLEM (11/11)

Beijing, which probably knows and understands the thinking of DPRK leaders better than anyone, is urging Pyongyang to conclude an IAEA safeguards agreement and become more involved in the world community. [REDACTED]

[REDACTED] the North denies having the ability or intention to acquire nuclear weapons [REDACTED]

Beijing argues that pressuring Pyongyang will be counterproductive and urges the United States to address the nuclear problem and the North's security concerns through direct talks, by implication at a high-level.

Kim Il Sung's latest--and 39th--visit to China underscores the special character of PRC-DPRK ties. Relations between Beijing and Pyongyang have sometimes been strained, but similar ideologies, shared sacrifices during the Korean War, and unequalled high-level contacts over 40 years give Chinese officials a unique perspective on DPRK thinking. That insight, and whatever privileged information they may have acquired through their own channels, undergird Beijing's perception of the North Korean nuclear problem and its prescription for dealing with the North.

PRC view of the problem. When asked, PRC officials say it would not be in China's interest for either North or South Korea to possess nuclear weapons; they have repeatedly endorsed Pyongyang's call for a nuclear free zone on the peninsula. They have not, however, evinced great concern about efforts by the North to acquire a bomb, and have both repeated the assertion of senior DPRK officials, including Kim himself, that the North neither has nor seeks the capability to build nuclear weapons, and claimed to be unconvinced by US evidence to the contrary.

[REDACTED]

Advice to Pyongyang.

[REDACTED]

Beijing seems to have urged Pyongyang to alleviate its economic problems by emulating China's experience in the 1980s, that is, with economic reform, opening to the outside, and maintenance of party control. To underscore this message, Beijing declined to provide much in the way of economic aid. [REDACTED] the Chinese apparently told the North that signing a safeguards agreement would bring political benefits without impeding its ability to pursue its self-proclaimed peaceful nuclear program. Again, China pointed to its own experience with IAEA safeguards.

[REDACTED]

(SECRET/NOFORN/NOCONTRACT/ORCON) (TFingar)

IV. US-PRC: CHINESE-STYLE ANXIETY (11/15)

The atmosphere in Beijing on the eve of your visit is hopeful but anxious. Bilateral tensions have sharpened official concern the United States intends to exercise its increased power and influence in ways inimical to PRC interests.

Recent visitors to China, former US officials as well as academic specialists, have been struck by the general confusion and concern about US-China relations. Anxiety heightened by worry about how efforts to resolve grievances on both sides will affect bureaucratic and individual interests, leaders have made clear [REDACTED] that what is sought is US reaffirmation of the principles of the bilateral communiques. 67

Nagging doubts about the US. Fearing a United States and China set on diverging paths, Beijing hopes for statements of US willingness to consult and cooperate with a socialist China to achieve stability and evolutionary change in Asia. Specialists had earlier argued for Chinese concessions on US Congressional and media concerns to help shore up a consensus behind the administration's China policy.

But since the summer suspicion has been growing among higher-level officials--shared by some normally pro-US intellectuals--that the administration itself is encouraging criticism of China as part of a new policy intended to destabilize the regime. This suspicion puts wind into the sagging sails of the regime's internal campaign to discredit the West and undermine belief in a global "peaceful evolution" toward democratic capitalism.

Grasping at strategic straws. Chinese leaders want to revive a former emphasis on geostrategic cooperation, fearing their interests will otherwise be ignored and that, for example, US-Soviet arms control agreements may allow nuclear weapons to remain east of the Urals. Some experts even point to a silver lining in the Soviet and Middle East crises, speculating that shared concern about Russian chauvinism or Islamic fundamentalism might provide the basis for cooperative action.

Clearly Beijing is having difficulty finding problems for which bilateral cooperation with the United States is an appropriate solution: the Chinese are only grudgingly beginning to consider ways to achieve the same end through multilateral cooperation. But the Chinese have thus far eschewed the opportunity nearest to home, arguing that on North Korea's effort to acquire nuclear weapons, the United States should deal with the problem by dealing with Pyongyang bilaterally. On MTCR, advisers continue to nitpick on how China can "observe guidelines" without actually joining, and hard-bitten veteran diplomats in the National People's Congress managed to stall China's accession to the NPT.

Taiwan--a Latent Problem. Anxiety has increased in recent months about Taiwan moving toward independence, forcing Beijing to take actions unacceptable to the United States. Official Beijing has been circumspect about its concerns about US policy toward Taiwan lest this become yet another "obstacle" to normal relations. Unofficially, the issue is raised more and more frequently, and is being linked with other problems in new ways.

Some Chinese military specialists for example, now say the US military presence in Asia should be reduced because it encourages pro-independence elements on Taiwan, who see the US presence as providing a hedge against PRC military action. Others ask why the administration has not tried to slow the trend toward self-determination on Taiwan [REDACTED] 41

(CONFIDENTIAL) (CLHamrin)

V. CHINA/USSR: PICKING UP THE PIECES (11/17)

The demise of Soviet communism and the disintegration of the Soviet Union have forced PRC leaders to abandon notions of ideological affinity and lingering hope that triangular diplomacy could be used to counterbalance the United States. Though privately critical of Gorbachev and determined not to repeat Soviet "mistakes," Beijing moved quickly and pragmatically to limit damage to the relationship. Trade has shifted from state-to-state to localized arrangements, and sales of military equipment, after a brief hiatus, are proceeding. Beijing is rushing to establish direct relations with the republics.

Beijing's apparent glee over the initial success of the August putsch quickly yielded to embarrassment and a determination to preserve the benefits of rapprochement despite intense anger at Gorbachev and what he had done to world communism. [REDACTED] 81

[REDACTED] publicly the Chinese professed non-interference in Soviet affairs and willingness to work with whatever leaders emerge. Officials on the Soviet side--local, republic, and at what remains of the center--have been eager not to allow relations with China to deteriorate, adding to their problems.

Secularizing relations. From Beijing's perspective, General Secretary Jiang Zemin's May visit to Moscow marked the high point in the restoration of party-to-party ties. The collapse of Soviet communism shortly thereafter annulled party ties, and Beijing fell back on non-ideological, state-to-state relations, arguing that ideological differences should not affect diplomatic or pragmatic dealings. Talks on reducing military forces in border areas have continued, for example; the fifth round is under way in Moscow.

Military sales. The aborted coup initially put some bilateral military ties on hold, official visits were postponed and deliveries of some contracted military equipment delayed as both sides sought to reassess the military implications. PLA forces went on alert after the coup.

But delivery of Soviet transport planes and helicopters has continued, and delivery of Su-27 fighters is anticipated.

Dealing with the republics. Having snubbed Yeltsin during Jiang's Moscow visit, China is scrambling to establish links to him and to other republic leaders. Among other objectives, Beijing hopes to ward off "official" ties between cash-strapped republics and cash-flush Taiwan. It had a similar motivation for quickly establishing relations with the three Baltic republics. PRC provinces are negotiating trade and joint venture agreements with the Ukraine, Armenia, Kazakhstan, Russia, and other republics.

The rise of ethnic nationalism in some republics is deeply disturbing to China, which shares a long and porous border with the Soviet Union and fears ethnic unrest will affect its own restive minorities. Beijing worries, for example, that greater independence and assertiveness on the part of Soviet Central Asian republics (all of which except Tajikistan are Turkic) will fuel pan-Turkic nationalism in Xinjiang. (SECRET) (JHuskey)

#### VI. CHINA: "EDUCATING" THE NEXT GENERATION (11/15)

Since Tiananmen, China's education establishment, dominated by hard-liners, has tightened control over the curriculum, post-graduation job assignments, ideological education, and out-of-class activities. Few student protests have in fact occurred since 1989, and those that have were small and quickly contained. But efforts to win back this generation's hearts and minds for communism appear to have had little success; most students, though they have again buckled down to study, are hoping for better job prospects and coveted chances to go abroad.

After more than six weeks of student protests culminated in the June 4, 1989 Tiananmen crackdown, Chinese education officials enacted emergency policies to indoctrinate students and control their activities. Incoming freshmen from a few elite Beijing and Shanghai universities were required to undergo a year's military training before beginning studies; political classes for all students were beefed up; and experiments under which some graduates were allowed to find their own jobs were terminated.



Students were also required to work during vacations, to gain a better "understanding" of China's social realities; graduates were required to work in grassroots organizations before taking state or party jobs in Beijing; and most graduates were required to work in China for several years before receiving permission to study overseas.

Intermittent pressure... Though the climate on college campuses--and to a lesser extent, in high schools--remains tighter than before Tiananmen, the heavy-handedness of political control has varied. Controls were tightest when students first returned to campus in the fall of 1989 and immediately after Ceausescu's fall in December 1989. The failed Soviet coup prompted another crackdown this fall; some campuses reportedly initiated mandatory morning exercise sessions, evening political study classes, and early lights out.

...And varying success. A recent official Beijing survey reported that most students and parents resented mandatory military training. Many students, having returned to campus, were apathetic and apolitical, and some joined dissident groups, according to a well-connected Hong Kong newspaper. Some students viewed the experience as a mere hurdle to be overcome; some scorned the political indoctrination but welcomed the exercise; a few reportedly have opined that mandatory training in the use of weapons may later be turned against the regime.

If efforts to change student attitudes have largely failed, the regime retains strong levers over their behavior. The fate of previous protest leaders ranging from jail to expulsion, inability to take needed courses, and poor (or no) job assignments after graduation--have chastened would-be activists. Returning to campus after Tiananmen, many students at first were demoralized, sparking a craze for "TDK" (studying for the test-of-English-as-a-foreign-language to apply for overseas study, dancing, and kissing).

Most students now are buckling down to serious study, but for many the long-term aim remains to leave China (CClarke)  
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